



**Qfin Holdings (2Q2025 Earnings)
August 14, 2025**

Corporate Speakers:

- Karen Ji; Qfin Holdings; Senior Director of Capital Markets
- Haisheng Wu; Qfin Holdings; Chief Executive Officer
- Alex Xu; Qfin Holdings; Chief Financial Officer
- Yan Zheng; Qfin Holdings; Chief Risk Officer

Participants:

- Richard Xu; Morgan Stanley; Managing Director
- Lincoln Yu; J.P. Morgan; Analyst
- Alex Ye; UBS; Analyst
- Emma Xu; BofA Securities; Analyst
- Cindy Wang; China Renaissance; Director

PRESENTATION

Operator^ Ladies and gentlemen, thank you for standing by, and welcome to the Qfin Holdings Second Quarter 2025 Earnings Conference Call.

(Operator Instructions) Please also note today's event is being recorded.

At this time, I'd like to turn the conference call over to Ms. Karen Ji, Senior Director of Capital Markets. Please go ahead, Karen.

Karen Ji^ Thank you, Operator. Hello, everyone, and welcome to Qfin Second Quarter 2025 Earnings Conference Call. Our earnings release was distributed earlier today and is available on our IR website.

Joining me today are Mr. Wu Haisheng, our CEO; Mr. Alex Xu, our CFO; and Mr. Zheng Yan, our CRO.

Before we start, I would like to refer you to our safe harbor statement in our earnings press release, which applies to this call as we will make certain forward-looking statements. Also, this call includes discussions of certain non-GAAP financial measures. Please refer to our earnings release, which contains a reconciliation of non-GAAP financial measures to GAAP financial measures.

Also, please note that unless otherwise stated, all figures mentioned in this call are in RMB terms.

In addition, please note that today's prepared remarks for our CEO will be delivered in English using an AI-generated voice.

Now I will turn the call over to Mr. Wu Haisheng. Please go ahead.



Haisheng Wu^ Hello, everyone. Thank you for joining us today.

In the first half of 2025, the global economic landscape faced growing uncertainty amid rising geopolitical tensions. Despite external headwinds, China's economy remained broadly stable and demonstrated strong resilience. The consumer credit industry, which serves as a key driver of boosting consumption, is undergoing a wave of supply-side reforms under regulatory guidance. The goal of these reforms is to provide inclusive and innovative consumer credit solutions across a variety of consumption scenarios to better address diverse user needs.

With a user-centric approach and a focus on the essence of fintech, we are actively leveraging AI to drive upgrades across the consumer credit value chain, reinforcing our leadership in the industry.

By the end of the second quarter, our AI-powered credit decision engine and asset distribution platform empowered a total of 165 financial institutions and served more than 60 million users with approved credit lines on a cumulative basis. Total loan facilitation and origination volume on our platform increased by approximately 16% year-over-year to RMB 84.6 billion.

With operational efficiency continuing to improve, our take rate for the quarter reached 5.4%, up almost 1 percentage point year-over-year.

Non-GAAP net income increased by 30.8% year-over-year to RMB 1.85 billion, while non-GAAP EPADS on a fully diluted basis rose by 48.8% to RMB 13.63. Despite macroeconomic and regulatory headwinds, we maintained strategic discipline and prioritized high-quality growth to achieve solid operating results.

Given the relatively challenging market environment during the quarter, we continued to refine our risk strategies and models to improve key performance metrics. In April, we slightly tightened our risk standards in response to uncertainty related to potential tariff impacts.

As the regulatory developments created additional uncertainty, we further optimized our risk control and asset distribution strategies in June, maintaining our acceptance rate at a reasonable level while improving risk metrics. As a result, the leading risk indicator FPD, or First Payment Default, over seven days for new loans facilitated in June decreased by about 5% when compared to that in May, while our C to M2 metric, which measures delinquency rates after 30-day collection, remained stable.

We also made further upgrades to our risk decisioning AI agent by leveraging large language models or LLM technology during the quarter. By integrating 670 models, 7,129 strategy modules and over 100 million historical decisions into the foundation model, we are establishing an end-to-end risk management solution that is moving us steadily toward more intelligent decision-making.

Our user profile enhancement AI agent uses LLM capabilities to activate knowledge association and identify underlying logic behind the data, enriching user profiles for over 20% of our core



user base. It refines and cross validates key labels such as industry, income and occupation, which in turn, optimizes our credit offers. Meanwhile, our intelligent algorithm agent runs around the clock to train and fine-tune our models and automatically generates core risk model chains. Two of our core behavior scorecard models or B scorecard models improved KS scores, a metric that measures how effectively a model separates risk levels, by 89 and 93 basis points, respectively.

In Q2, overall liquidity in the financial system remained ample, though we observed some structural differences across asset classes. Despite an uncertain regulatory outlook for the industry, we leveraged our diversified funding partnerships and robust asset quality to maintain a relatively stable funding supply throughout the quarter.

As a leading fintech platform, we continued to demonstrate strength in the ABS market, issuing approximately RMB 7.8 billion during the quarter, representing a year-over-year increase of about 70%. As a result, total ABS issuance in the first half of the year nearly matched the full year total in 2024 with issuance costs declining further to a record low. As the proportion of ABS in our capital heavy funding increased further, our overall funding costs decreased by an additional 10 basis points sequentially.

On the user acquisition front, we continued to implement a user-centric strategy, making our offerings available to users wherever they are. Through embedded finance, we have significantly deepened our presence across a diverse range of Internet scenarios, including short-form videos, e-commerce, mobility, food delivery and financial services. This enables us to offer users a convenient and seamless borrowing experience while also expanding our brand visibility and market reach.

In Q2, we further extended the network of our embedded finance business by adding four new strategic channels, bringing us close to full coverage across all leading Internet platforms.

During the quarter, total new credit line users grew 40% year-over-year to RMB 1.79 million, while average cost per credit line user decreased slightly sequentially. The number of new borrowers increased by approximately 60% year-over-year to 1.23 million. New credit line users from the embedded finance channels increased by 103% year-over-year, while loan volumes surged by roughly 155%. ROA of this segment remained stable throughout the quarter.

In Q2, loan volumes supported by our total technology solutions business increased approximately 150% year-over-year. We continue to advance our “AI+ bank” strategy, which focuses on designing and developing AI-powered products tailored for financial institutions.

As part of this effort, we are upgrading our Focus PRO credit tech solution into a next-generation super AI credit agent to strengthen our B2B services capabilities. We also entered into a strategic partnership with an AI hardware provider to develop a customized all-in-one AI machine that will further enhance the overall competitiveness of our AI products.

These offerings will cover core functions such as user acquisition, risk management and day-to-day operations. For example, we are building an AI agent to empower key credit approval



processes by combining multimodal LLM capabilities with our extensive experience serving financial institutions.

Once widely adopted, this agent is expected to help address the shortage of risk personnel in lower-tier cities and significantly improve the efficiency of credit approvals. With development partially complete, our AI agent products are already attracting strong interest from banks, securing several commercial orders scheduled for launch in Q3.

In April, China's National Financial Regulatory Administration issued the *Notice on Strengthening the Management of the Internet Loan Facilitation Business of Commercial Banks to Enhance the Quality and Efficiency of Financial Services*, providing clearer guidance for Internet-based lending practices. We believe the new regulatory guidelines will help further improve the overall health and sustainability of the loan facilitation sector, making consumer finance more accessible and delivering greater value to users.

In the near term, the industry will go through an adjustment period to align with these new regulatory requirements. Our prudent operations and strong execution capabilities have enabled us to successfully navigate similar adjustments in the past with resilience and solid results. As a leading platform in the industry, we believe we are well positioned to thrive in a healthier and more favorable market environment over the long run and further consolidate our leadership position.

Looking ahead to the second half of 2025, we will continue to prioritize prudent, compliant operations and optimize products and services to better address user needs while improving overall operational efficiency. We will continue advancing our One Core, Two Wings strategy, executing on our “AI+ credit” strategy and enhancing our AI agent platform to drive the digital transformation of financial institutions.

Additionally, we are pleased to report encouraging progress in our overseas expansion. This quarter, we took a baby step with the launch of small-scale operations in the U.K., which though still at an early stage, is delivering a healthy performance across key metrics. We will continue to refine our risk models and enhance conversion efficiency.

We believe the robust fintech infrastructure this market offers presents significant opportunities for us and are confident that our AI and big data capabilities will create substantial value by addressing underserved local demand. Meanwhile, we are proactively exploring additional international opportunities, and our commitment to global expansion has never been stronger.

With that, I will now turn the call over to Alex.

Alex Xu^ Thank you, Haisheng. Good morning and good evening, everyone.

Welcome to our second quarter earnings call. Q2 was a roller-coaster period as consumer sentiment swung widely in the quarter with the tariff war-related news flow, and persistent economic uncertainties further pressured users' activities.



Total net revenue for Q2 was RMB 5.22 billion versus RMB 4.69 billion in Q1 and RMB 4.16 billion a year ago. Revenue from credit-driven services (capital heavy) was RMB 3.57 billion in Q2 compared to RMB 3.11 billion in Q1 and RMB 2.91 billion a year ago. The sequential growth was mainly due to the increases in on-balance sheet loans, and year-on-year increase was driven by higher capital-heavy loan volume. Overall funding cost percentage further declined modestly Q-on-Q as ABS contribute a larger portion of our total fundings in Q2.

Revenue from platform services (capital light) was RMB 1.65 billion in Q2 compared to RMB 1.58 billion in Q1 and RMB 1.25 billion a year ago. The year-on-year growth was mainly due to strong contributions from ICE and other value-added service, more than offsetting the decline in capital-light loan facilitation.

Platform service accounted for roughly 51% of our quarter ending loan balance. We made timely adjustment to the business mix in Q2 and we expect to continue to do so in the coming months as market dynamics may change rapidly due to the regulatory updates.

During the quarter, average IRR of the loans we originated and/or facilitated was 21.4%, flat Q-on-Q. Looking forward, we expect pricing to be fluctuating around this level for the coming quarters.

Sales and marketing expenses increased 12% Q-on-Q. The increase was mainly due to larger volume contribution from API channels in both new and existing users. We added approximately 1.79 million new credit line users in Q2 versus 1.54 million in Q1. We will continue to adjust the pace of new user acquisition in the coming months given the volatile macro condition and further optimize our user acquisition channels and improve user engagement and retention.

90-day delinquency rate was 1.97% in Q2 compared to 2.02% in Q1. Day 1 delinquency was 5.1% in Q2 versus 5.0% in Q1. 30-day collection rate was 87.3% in Q2 versus 88.1% in Q1. C-M2, which represents the outstanding delinquency rate after 30 days collection, increased modestly Q-on-Q to 0.64%, in part due to the mix change in the business. While overall portfolio risk increased modestly in the last couple of quarters, it's still well within our target range.

As we are gradually tightening risk control standard to deal with the recent change in the market, we start to see marginal improvement in new loans quality. We will remain vigilant to manage overall risk exposure, particularly given the latest macro uncertainties.

At the same time, we continue to take a conservative approach to book provisions against the potential credit loss. Total new provisions for risk-bearing loans in Q2 were approximately RMB 2.5 billion versus RMB 2.23 billion in Q1. The increase in new provisions was mainly due to increase in risk-bearing loan volume Q-on-Q and near historical high provision booking ratio. Write-backs of previous provisions were approximately RMB 1.18 billion in Q2 versus RMB 1.14 billion in Q1.

Provision coverage ratio, which is defined as total outstanding provision divided by total outstanding delinquent risk-bearing loan balance between 90 and 180 days, remained near historical high at 662% in Q2.



Non-GAAP net profit was RMB 1.85 billion in Q2 compared to RMB 1.93 billion in Q1. Please note, in Q2, we booked RMB 170 million loss associated with the currency derivative instrument related to our CB issuance partially offset by approximately RMB 108 million foreign exchange gains.

Also in Q1, we were benefited by approximately RMB 188 million tax rebate, whereas in Q2, tax rebate was only approximately RMB 26 million.

Non-GAAP net income per fully diluted ADS was RMB 13.63 in Q2 compared to RMB 13.53 in Q1 and RMB 9.16 a year ago as strong earnings growth and the proactive share repurchase created significant EPADS accretion.

At the end of Q2, total outstanding ADS share count was approximately 132.4 million compared to 134.5 million at the end of Q1 and 148.8 million a year ago. Effective tax rate for Q2 was 19.3% compared to our typical ETR of approximately 15%. The higher-than-normal ETR was mainly due to withholding tax provision related to the cash distribution from onshore to offshore.

With a higher contribution from capital-heavy model, our leverage ratio, which is defined as risk-bearing loan balance divided by shareholders' equity, was 2.8x in Q2, still near the low end of historical range. We expect to see leverage ratio fluctuating around this level in the near future. We generated approximately RMB 2.62 billion cash from operations in Q2 compared to RMB 2.81 billion in Q1.

Total cash and cash equivalent and short-term investments was RMB 13.34 billion in Q2 compared to RMB 14.03 billion in Q1. As we continue to generate strong cash flow from operations, we may deploy additional cash to support our business initiatives in the rapidly changing market dynamic.

We started to execute the RMB 450 million share repurchase plan on January 1. As of August 14, 2025, we had in aggregate purchased approximately 7.1 million ADSs in the open market for a total amount of approximately RMB 277 million, inclusive of commissions, at an average price of USD 38.9 per ADS.

The pace of the repurchase is consistent with the timeline. Given the increased uncertainty ahead, we may continue to execute our buyback programs opportunistically in the near term. And in the long run, we are still committed to delivering industry-leading returns to our shareholders.

In accordance with our current dividend policy, our Board has approved a dividend of USD 0.38 per Class A ordinary share or USD 0.76 per ADS for the first half of 2025 to the holders of record of Class A ordinary share and ADS as of close of business on September 8, 2025, Hong Kong and New York time, respectively.

Finally, regarding our business outlook. Given the persistent economic uncertainty and fast-changing market dynamic, we will continue to take a prudent approach in business planning for the rest of 2025 and focus on enhancing efficiency of our operation. For the third quarter of



2025, the company expects to generate non-GAAP net income between RMB 1.6 billion and RMB 1.8 billion. This outlook reflects the company's current and preliminary view, which is subject to material changes.

With that, I would like to conclude our prepared remarks. Operator, we can now take some questions.

QUESTIONS AND ANSWERS

Operator[^] (Operator Instructions) Your first question comes from Richard Xu from Morgan Stanley.

Richard Xu[^] (Speaking in Foreign Language) I'll also translate the question.

First of all, what's the management's latest outlook on the loan volume growth? Are we seeing any signs of potentially rebound in the consumer loan demand compared to particularly start of the year?

Secondly, what's the latest view on the take rate? Any areas performing better than expected? Do we expect the take rate to remain at the current level over the next several years? If any changes, what will be the factors that are driving those changes?

Haisheng Wu[^] Thank you, Richard. Let me take your first question, and Alex can take your second one.

For the customer demand, a few days ago, PBOC released the latest financial data for July. From January to July, short-term household loans decreased by about RMB 383 billion, which is quite unusual and shows that consumer confidence and credit demand remains soft. Meanwhile, government has introduced policies to subsidize consumer loans. This should help lift credit demand, but it will take time to see any meaningful impact.

From what we are seeing day to day, the situation is broadly in line with the macro data. Effective demand for our products remain soft at the moment, and we haven't seen clear signs of recovery. Recent industry adjustments have also made it harder for some users to get loans. This has driven up demand from this group, but most of them do not meet our risk standards.

In the second half of the year, given the regulatory uncertainty and ongoing industry adjustments, we will put risk management as our top priority. We will take a more cautious approach to our loan origination and facilitation, which could mean some pullback in Q3. By Q4, we should have a clearer view once the new rules are implemented.

Alex Xu[^] Okay. Richard, I will take the second part of your question.



Our Q2 take rate was 5.4%. If you calculate based on our guidance for Q3, basically, you're talking about around 5% take rate. This is still quite consistent with what we have been saying since the beginning of the year. And I think that outlook doesn't really change at this point.

However, there's still some near-term volatility, in particular, related to the new regulation being effective on October 1. So it's still hard to say how and when these new regulations will be implemented. So the impact from the regulation to the take rate is hard to predict at this point in time. So that's kind of in the near term.

But longer term, after this new round of regulatory change, we're expecting the market being cleaned up, meaning the long-tail portion being cleaned out of the market, whereas the industry getting to the more consolidated stage. The competition and other factors will become more rational and overall will be beneficial to the long-term operation as well as the take rate.

I think regardless of how the regulatory changes will be, the demand is still there in terms of the segment of the customer. And we, in the history, have proved that we're one of the best in terms of operations in this segment regarding the funding, the customer acquisition, the efficiency and the risk management. These are our advantages.

In the past, we have been through many rounds of regulatory adjustment. In every single one of those times, we emerged healthier and stronger. I don't think this will be the exception this time around. Thank you, Richard.

Operator^ Your next question comes from Lincoln Yu from JP Morgan.

Lincoln Yu^ (Speaking in Foreign Language) Okay. Now I'm going to translate my questions.

So the first one is a follow-up on the new regulation. So what would be the estimated impact of the new regulation on our ICE business? And what is our current strategy regarding the products under the 24% plus benefit loan products? And after the official implementation in October, will there be any impact on the competitive landscape and customer acquisition cost for the product that's priced within 24%?

And my second question is about our overseas expansion. So what are the main considerations of the company when we select the target market? And in the U.K., could management please provide more details on how the progress is going? And are we trying to grow organically or partnering with some local players?

Haisheng Wu^ Okay. Thank you, Lincoln.

About the regulatory, first, I want to say that we see the new rules as a positive for the industry. There may be some near-term adjustments, but over the longer term, they should improve the overall health and the sustainability of the sector.

We could see a healthier ecosystem with less intense competition, lower marketing and risk cost and better user retention. We welcome anything that promotes fair competition. This will benefit



companies with stronger technology capabilities. Smaller players without such advantage will gradually exit the market, allowing the stronger ones to capture a larger share of the market.

Second, regarding ICE, it is positioned as a referral service. We refer users to smaller platforms or financial institutions based on users' risk profiles and the risk appetites of the institutions.

For this business, we don't participate in the pricing or risk decisions. ICE helps meet certain user needs and also deliver good returns for financial institutions. Although there is still some uncertainty around the final details of the new policy, we have already conducted a comprehensive assessment and prepared different alternative plans.

For the users referred through ICE, we currently see a sufficient safety buffer and solid returns. We can actually serve these users under our on-balance sheet, capital-heavy and capital-light loan facilitation models. We expect our take rate will remain healthy after this transition.

We have prepared a few Plan B options, and we are evaluating them with our financial partners. We will explore all feasible plans and ensure that our approach will balance our user experience with long-term business sustainability. As the official implementation date approaches, we will keep a close dialogue with regulators and financial institutions to make sure our business stays compliant.

At this point, we don't yet know exactly how the new rules will be rolled out, and we will not make bets on policy direction. We always see technology and operations as our core drivers. We believe it's best to focus on things that don't change, the areas that can help enhance our tech capabilities in the long term.

In this industry, companies come and go. In the end, the ones that remain may not be the biggest, but they will be the ones with real technology and a strong commitment to serving users. That's how we have always operated, and that's how we will continue to operate. The industry has been through many rounds of adjustments. And each time, we have proven our ability to navigate each cycle and thrive in a better way.

And for your second question about overseas expansion. Our vision is to become one of the most respected fintech companies globally. So overseas expansion is a very important part of our strategy for the next few years. When choosing a target market, we look at several factors, including the regulatory environment, openness to fintech innovation and financial infrastructure.

So first, the financial industry needs to be regulated. It will provide a clear framework for what can and can't be done, ensuring fair competition. That's why we focus on markets with relatively stable regulatory systems.

Second, we also look at the local fintech ecosystem and whether regulators encourage innovation. In such markets, we can learn from the experience of early players and leverage our unique strengths to expand the market together.



Third, we also look closely at how mature the local financial infrastructure is. Our advantage is applying AI and big data technology to evaluate user risk more accurately and provide different products and pricing. So a solid infrastructure is critical.

In the U.K., we have only taken a baby step so far. Monthly loan volumes are still very small compared to our overall portfolio. What matters more for us at this stage is building our understanding of the local market and refining our risk models. This naturally involves a process of trial and error. So we will take our time and move forward cautiously. Thank you.

Operator^ Your next question comes from Alex Ye from UBS.

Alex Ye^ (Speaking in Foreign Language) So I'll translate my question.

So my first question is about asset quality. So we have observed a slight uptick in your C-M2 ratio in Q2. Could you give us some color on what's the main drivers? And how has been the trend so far in July and August? Also looking ahead in the coming months, how should we expect the asset quality to evolve along with the implementation of the new regulation?

So second question is regarding your Q3 earnings guidance. So we have seen there's some Q-on-Q decline, and you also implied a wider range than before. So what are the underlying assumptions that we are adopting such as loan volume, asset quality and loan mix?

Yan Zheng^ (Interpreted) Okay. Thanks for your question, Alex. Let me do the translation.

In Q2, our D1 delinquency rate remained relatively stable, but the collection rate decreased from 88.1% in Q1 to 87.3%. Our C-M2 came in at around 0.64%, slightly higher than 0.60% in Q1.

Breaking it down, there were several reasons. So first, for embedded finance business, the risk level of our embedded finance business increased, and these channels also made up a larger share of our total loan volume in Q2.

For us, managing risk metrics for this business isn't just about keeping them as low as possible. It is about striking the right balance between the competitiveness and risk performance, also keeping a healthy margin of safety.

So in Q2, we actually made a number of targeted adjustments. We improved the conversion rates for channels with a higher safety margin and tightened risk standards for those with a lower margin. These adjustments are all about to make a proper safety margin. So right now, all our channels are running within a reasonable buffer range.

So for the app business, we will break it down into new and existing loan book. The risk level for existing loan book through our app also increased, though to a lesser extent than that in embedded finance. The primary reason is the new rules issued in April, which had led to a tighter liquidity for some platforms. Overall, industry risks are on the rise, mainly reflected in a slight decline in the collection rate metrics in Q2.



For the new loans, the risk level through our app came down in Q2. In April and May, the early risk indicator FPD 30 was down about 9% from Q1. In June, given the potential impact of funding liquidity on the risk performance, we further optimized our risk management and asset distribution strategies to keep funding supply stable and improve risk metrics.

So for the new loans in June, since the performance of FPD 30 hasn't completed yet, we will look at another leading indicator for risk metrics, which is FPD 7. We noted it has further declined by approximately 5% compared to May.

Since July and August, due to industry concerns over the implementation of new rules, funding supply has tightened further, keeping the overall risk performance in the sector under pressure. In response, we have been making coordinated efforts across both pre-loan and post-loan management processes.

On the pre-loan side, we have enhanced the A score and B score's predictive power by incorporating variables generated by multimodal AI agents, while simultaneously tightening risk control policies to reduce risk exposure in new transactions to respond for the impact from the new rule implementation.

On the post-loan side, on the 5th of July, we implemented enhancements to our collection strategies and operations. For the bills due from the 16th of July and 28th of July, the 16-day collection rate is performed on par with that in the same period of June. Further refinements were introduced in early August, which have been proving effective so far. The seven-day collection rate has improved by 1 percentage point compared to the average of the same period of June and July.

Finally, we have always been prudent with booking provisions. This quarter, our new provisions were about 5% of our new risk-bearing loans, well above our historical vintage loss.

Our provision coverage ratio in Q2 reached 662%, also near a record high. Thus, our financial position remains highly robust with ample cushion to manage potential risks.

We have been through many challenges before, and we have always responded quickly and effectively for the every single time. This time, we are still confident that we can keep the risk well within a reasonable range.

Alex Xu^ Alex, I will take your second part of the question.

As you know, with these new regulatory rules coming into effect soon, the industry is actually going through quite a bit of adjustment. And as we mentioned in previous comments, this may lead to tightened liquidity and the volatility in the risk for the entire industry. That's the reason why we decided to further tighten the risk management control on top of what we did in Q2. Because of that, you probably will see a modest decline in the loan volume in Q3 versus Q2 there.



And in terms of loan mix, I think the current assumption is that because of regulatory change, you may continue to see a movement from ICE to other segments of our business. That's one kind of force behind that. But at the same time, because we're tightening the overall risk management control, so the other segment may also see some sequential decline as well.

So at the end of the day, there's a good chance the mix will shift from the light to the heavy side but not in any large magnitude for that matter. So that's the mix change.

Because of the mix change, as you know, the capital-heavy side of the mix typically has a higher revenue recognition percentage, but slower revenue recognition pace versus the light part of the mix. So that's why these two forces also will play a role in terms of overall revenue and the profitability kind of booking there.

And then from a risk perspective, as we can see from the July and August risk level, you probably still continue to see some upward movement in terms of risk in Q3 versus Q2, but very modest, well within our controlled range. And because of that, we will continue to book very heavily on the provision. And certainly, we'll continue to have a huge amount of write-back as we do in every other quarters there.

Other key elements for the financials, for example, the pricing, the funding cost and the customer acquisition, I would say, in Q3 they will probably be relatively stable versus Q2.

Operator^ Your next question comes from Emma Xu from Bank of America Securities.

Emma Xu^ (Speaking in Foreign Language) So I have a question about the buyback. So what is the current progress of the share buyback? As the company's stock price has significantly retreated from its high, do you have plan to increase the scale of your buyback?

Alex Xu^ Sure. Emma, let me take this one.

So as I mentioned earlier, so far to this day, for the RMB 450 million program, we already executed RMB 277 million, exactly on time in terms of timeline. Combined with what we did associated with the CB issuance, this year so far, we already spent over USD 500 million in repurchases and it already exceeds the 2024 full year repurchase amount.

In terms of share count reduction, so far this year, we already repurchased about 12.2 million ADSs. Basically, versus the beginning of the year, we reduced the share count by about 9% so far this year.

Obviously, there are a lot of things going on in terms of macro environment and also in terms of regulatory uncertainties. That could induce additional volatility in the market. We will take a more, in some way, flexible pace in terms of managing the buyback to basically enhance the capital allocation efficiency.



And as I mentioned earlier, in the long run, we are still committed to delivering the industry-leading shareholder returns through the sustainable growth as well as a sustainable shareholder return program. Thank you.

Operator^ Your next question comes from Cindy Wang from China Renaissance.

Cindy Wang^ (Speaking in Foreign Language) So this year, the total ABS in the first half, the issuance amount has been matched the full year in 2024. So if we look at the second half of this year, so what's the ABS issuance target in 2025? And also because ABS issuance increased, do you see there's any funding cost room to further go down in the second half of this year?

Haisheng Wu^ Okay. Thank you, Cindy.

I'm glad you mentioned this topic. This year, supported by government policies to boost consumption, the market environment for consumer finance ABS issuance has been quite favorable. The issuance pace has also picked up.

In the first half of 2025, our ABS issuance reached about RMB 14.4 billion, up about 45% from the same period last year. That's already close to the full year level in 2024. And our issuance costs have also decreased further to a record low.

As we mentioned before, ABS issuance tends to be seasonal. In the first half, demand and liquidity are usually stronger. So we make the most of that window to accelerate issuance.

In the second half, liquidity is generally tighter. So we will balance issuance costs and slow the pace a bit. That means the trend of our funding cost will also be influenced by the pace of our ABS issuance.

For the full year of 2025, we expect our total ABS issuance will grow by over 30%. As the percentage of ABS in our funding mix increases, we expect our funding cost in 2025 to decrease meaningfully compared to 2024. Thank you.

Operator^ That concludes our question-and-answer session. I'll now hand back to management for closing remarks.

Alex Xu^ Okay. Thank you again for everyone to join the conference call. If you have additional questions, feel free to contact us offline. Thank you. Have a good day.

Karen Ji^ Thank you.

Operator^ Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.